

DIRECT TESTIMONY AND EXHIBIT OF

ROBERT A. LAWYER

ON BEHALF OF

THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF

DOCKET NO. 2020-1-E

IN RE: ANNUAL REVIEW OF BASE RATES FOR FUEL COSTS

OF DUKE ENERGY PROGRESS, LLC

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Robert A. Lawyer. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina as the Deputy Director of Energy Efficiency and Renewables in the Utility Rates and Services Division of the Office of Regulatory Staff (“ORS”).

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received my Bachelor of Science in Financial Management from Clemson University in 1994. Prior to my employment with ORS, I held a variety of positions in finance, accounting, auditing, and management. I joined ORS in 2007 as an Auditor and assumed my current position in August 2019.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA (“COMMISSION”)?

A. Yes. I have testified on numerous occasions before the Commission.

Q. WHAT IS THE MISSION OF ORS?

1 A. ORS represents the public interest as defined by the South Carolina General
2 Assembly as:

3 [T]he concerns of the using and consuming public with respect to public
4 utility services, regardless of the class of customer, and preservation of
5 continued investment in and maintenance of utility facilities so as to provide
6 reliable and high-quality utility services.

7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

8 A. The purpose of my testimony is to set forth ORS's recommendations resulting from
9 the examination of Duke Energy Progress, LLC's ("DEP" or "Company") Distributed
10 Energy Resource Program ("DERP") expenses for the period of March 2019 through
11 February 2020 ("Actual Period"), March 2020 through June 2020 ("Estimated Period"),
12 and July 2020 through June 2021 ("Forecasted Period").

13 **Q. WAS THE REVIEW PERFORMED BY YOU OR UNDER YOUR SUPERVISION?**

14 A. Yes. The review to which I testify was performed by me or under my supervision.

15 **Q. WHAT EXPENSES RELATED TO THE COMPANY'S DERP ARE INCLUDED IN
16 THIS PROCEEDING?**

17 A. Pursuant to S.C. Code Ann. § 58-39-130(A)(2) (2015), an electrical utility with an
18 approved DERP may recover associated costs that are reasonably and prudently incurred,
19 and pursuant to S.C. Code Ann. § 58-39-140(F) (2015), cost recovery shall remain in force
20 until all approved DERP components have been recovered. The Company's DERP was
21 approved in Commission Order No. 2015-514, and the Company included in this filing
22 actual, estimated and forecasted avoided and incremental costs for the period of March 1,
23 2019 through June 30, 2021.

24 **Q. PLEASE EXPLAIN THE INCLUSION OF DERP AVOIDED COSTS TO BE
25 RECOVERED IN THIS PROCEEDING.**

1 **A.** According to S.C. Code Ann. § 58-39-140, payments for electricity provided under
2 the DERP that are paid at avoided cost rates or rates negotiated pursuant to the Public
3 Utility Regulatory Policy Act of 1978 (“PURPA”), whichever is lower, are eligible to be
4 recovered through the DERP avoided cost component.

5 The Company incurred DERP avoided costs during the Actual Period for utility-
6 scale purchased power, excess Net Energy Metering (“NEM”) payments to customers, and
7 the Shared Solar Program. These costs were allocated using the same method the Company
8 uses to allocate and recover variable environmental costs. Actual and estimated DERP
9 avoided cost totals are shown in ORS witness Briseno’s Audit Exhibit ADB-10.

10 **Q. WHAT TYPES OF EXPENSES HAS THE COMPANY INCLUDED AS DERP**
11 **INCREMENTAL COSTS?**

12 **A.** The Company included General and Administrative costs incurred to implement
13 the Company’s DERP, costs related to the Shared Solar Program, costs above avoided
14 costs, NEM incentives and avoided capacity, amortization of solar rebates and related
15 carrying costs, NEM meter costs, and interest on under-collection of DERP incremental
16 costs due to the annual recovery caps prescribed in S.C. Code Ann. § 58-39-150. Actual
17 and estimated cost totals are shown in ORS witness Briseno’s Audit Exhibit ADB-9.
18 Exhibit RAL-1 reflects the under-recovered and total estimated and forecasted incremental
19 costs.

20 **Q. DID THE ORS FIND THE COMPANY’S DERP AVOIDED AND INCREMENTAL**
21 **COSTS TO BE REASONABLE?**

22 **A.** Yes. ORS found the Company’s DERP avoided and incremental costs to be
23 reasonably and prudently incurred in implementing the Company’s DERP. ORS also

1 reviewed the Company's estimated and forecasted DERP avoided and incremental costs
2 and found them to be reasonable.

3 **Q. PLEASE EXPLAIN THE DERP CHARGE PER ACCOUNT.**

4 **A.** The fixed charge by which the Company proposes to recover DERP incremental
5 costs ("DERP Charge") is determined by allocating and collecting DERP incremental
6 expenses in the same way the Company allocates and collects variable environmental
7 expenses. The revenue is collected as a fixed charge per account to ensure that no account
8 charge exceeds the annual recovery caps prescribed in S.C. Code Ann. § 58-39-150. ORS
9 finds the Company's methodology to calculate, allocate, and collect the DERP Charge
10 complies with Act 236 and with Commission orders.

11 **Q. WILL THE PROPOSED ANNUAL DERP CHARGE RECOVER ALL THE**
12 **INCREMENTAL COSTS?**

13 **A.** No. The DERP Charge will not recover all the incremental costs allocated to the
14 Residential and Industrial customer classes. A full recovery of DERP incremental costs
15 would require an annual DERP charge of \$19.25 for Residential customers and \$3,497.57
16 for Industrial customers. However, the annual recovery caps prescribed in S.C. Code Ann.
17 § 58-39-150 (2015) limit the amount Residential and Industrial customers can be charged
18 each year to \$12.00 and \$1,200.00, respectively. DEP's annual DERP charge will recover
19 all incremental costs from Commercial customers as the costs are under the annual
20 recovery cap of \$120.00.

21 **Q. HOW WILL UNDER-COLLECTED INCREMENTAL COSTS BE TREATED?**

22 **A.** Under-collected incremental costs will earn carrying costs until next year when they
23 will be reallocated using each class's contribution to peak demand.

Q. DOES ORS HAVE ANY RECOMMENDATIONS REGARDING THE DERP CHARGES PROPOSED BY THE COMPANY?

A. No. ORS finds that the Company's calculations are in compliance with Act 236 and with the Commission's orders in previous DERP-related proceedings and supports the following annual proposed DERP Charges: Residential \$12.00, Commercial \$44.00, and Industrial \$1,200.00. Exhibit RAL-1 details the totals by class.

Q. DID THE COMPANY UPDATE THE VALUE OF NEM DISTRIBUTED ENERGY RESOURCES ("VALUE OF DER")?

A. Yes. As shown in Company witness Martin's testimony (page 8), DEP proposes a total Value of DER of \$0.024449/kilowatt-hour ("kWh") for residential solar generation, \$0.024431/kWh for small general service generation, and \$0.024459/kWh for large solar generation. The Company calculated a separate value for residential solar generation based on the availability of actual customer data. The Company continues to utilize third-party solar load profile data for non-residential customers.

Q. IS THE COMPANY'S CALCULATION OF THE NEM INCENTIVE CONSISTENT WITH ORDER NO. 2015-194 IN DOCKET NO. 2014-246-E?

A. Yes. The Company used the methodology approved in Commission Order No. 2015-194 to calculate the NEM incentive. The Company determined the difference between the expected revenues from NEM customers with and without DERP. Once the revenue gap was identified, the value of the customers' distributed generation was calculated using the amount from the NEM tariff approved in Commission Order No. 2019-452 in Docket No. 2019-1-E. The outstanding revenue was divided by the number of kWhs the customers of each applicable rate schedule generated to calculate the NEM incentive.

Q. DOES ORS HAVE ANY RECOMMENDATIONS REGARDING THE PROPOSED UPDATES TO SC RIDER RNM-8?

A. No. ORS reviewed the Company's updates to SC Rider RNM-8 (Martin Exhibit 1) and does not oppose the various updates to the value of NEM generation or the rate paid to customers for accumulated excess energy.

Q. WILL YOU UPDATE YOUR DIRECT TESTIMONY BASED ON INFORMATION THAT BECOMES AVAILABLE?

A. Yes. ORS fully reserves the right to revise its recommendations via supplemental testimony should new information not previously provided by the Company, or other sources, becomes available.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

Office of Regulatory Staff
Calculation of DERP Charge
Duke Energy Progress, LLC
Docket No. 2020-1-E

EXHIBIT RAL-1

(Over)/Under-Recovery of DERP Incremental Costs			
March 2019 through June 2020			
	Residential	Commercial	Industrial
Cumulative (Over)/Under-Recovery	\$134,846	\$66,374	\$44,506
(Over)/Under-Recovery of DERP Incremental Costs			
July 2020 through June 2021			
	Residential	Commercial	Industrial
Cumulative (Over)/Under-Recovery	\$2,625,893	\$1,386,695	\$948,804
Total DERP Charge			
March 2019 through June 2021			
	Residential¹	Commercial	Industrial¹
Cumulative Under-Recovery through June 2021	\$2,760,739	\$1,453,069	\$993,310
Number of accounts	143,405	33,021	284
Annual Cost (\$) ²	\$12.00	\$44.00	\$1,200.00
Monthly DERP Charge (\$) ²	\$1.00	\$3.67	\$100.00

¹ Monthly Charge and Annual Charge are capped in compliance with Act 236. The under-collection will be reallocated in the 2021 fuel proceeding.

² ORS' review does not include Gross Receipts Tax.